

Message Text

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ACTION EUR-12

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AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

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TAGS: EFIN EEC SZ

SUBJ: POSSIBLE SWISS ENTRY INTO "MINI-SNAKE"

REF: A) EC BRUSSELS 4311; B) PARIS 11789; C) BERN 1645

1. SUMMARY: DECISION OF FRANCE TO REJOIN SNAKE MAY REMOVE
ONE MAJOR OBSTACLE TO SWISS FRANC ENTRY, BUT CONDITIONS
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AND TIMING OF FRENCH FRANC RETURN WILL HAVE IMPORTANT IN-

FLUENCE IN ANY GOS DECISION. SWISS NATIONAL BANK PRESIDENT IS CONSIDERABLY MORE POSITIVE RE ADVANTAGES OF SF ASSOCIATION THAN ARE COMMERCIAL BANKERS AND MOST GOVERNMENT OFFICIALS WORKING IN EXTERNAL ECONOMIC POLICY AREA. END SUMMARY.

2. SWISS PRESS HAS REPORTED THAT FEDERAL COUNCIL (CABINET) AT REGULAR WEEKLY MEETINGS OF MAY 7 AND 14 DISCUSSED POSSIBLE SWISS ASSOCIATION WITH SNAKE WITHOUT COMING TO ANY NEW DECISIONS. SWISS NATIONAL BANK (SNB) PRESIDENT LEUTWILER REPORTED TO COUNCIL MAY 7 ON SNB EXPLORATORY DISCUSSIONS WITH CENTRAL BANKS AND WAS AUTHORIZED CONTINUE THESE CONTACTS. FURTHER INTERIM STATUS REPORT RE SNB DISCUSSIONS WAS MADE TO MAY 14 COUNCIL MEETING BY FINANCE MINISTER CHEVELLAZ.

3. IN MAY 14 CONVERSATION WITH CONSUL GENERAL ZURICH AND EMBOFF, LEUTWILER CONFIRMED THAT FROM SNB POINT-OF-VIEW ALL TECHNICAL ASPECTS OF SWISS FRANC ASSOCIATION WITH SNAKE HAVE BEEN RESOLVED. WHILE ACKNOWLEDGING THAT ENTRY INTO SNAKE WOULD PROBABLY NOT HAVE BEEN SUGGESTED WERE IT NOT FOR CLAMOR FROM SWISS EXPORT INDUSTRIES OVER PAST FEW MONTHS ABOUT HIGH VALUE OF FRANC, LEUTWILER INDICATED HE FEELS THAT OVER MEDIUM AND LONGER TERM ENTRY SHOULD CONTRIBUTE TO MORE STABLE EXCHANGE RATE STRUCTURE IN EUROPE. IN SHORT-RUN IT WOULD DO LITTLE FOR SWISS EXPORTERS OR TOURIST INDUSTRY EXCEPT AS FURTHER INDICATION GOS AND SNB ARE CONCERNED AND PREPARED TAKE ALL APPROPRIATE ACTIONS. IN ANY EVENT, LEUTWILER RECOGNIZES THAT ENTRY WILL REQUIRE POLITICAL DECISION BY FEDERAL COUNCIL WHICH ULTIMATELY WILL HAVE TO TAKE INTO ACCOUNT VARIETY OF CONSIDERATIONS.

4. DECISION OF FRANCE TO REJOIN VIEWED BY LEUTWILER AS POSITIVE ELEMENT FOR SWISS AS IT REMOVES ONE SIGNIFICANT OBSTACLE. HE THOUGHT THAT IF RPT IF FRANCE WERE TO REJOIN ON PRESENT TERMS AND CONDITIONS AND THAT IF SWITZERLAND COULD ALSO ASSOCIATE WITHOUT BEING FACED WITH SUCH POSSIBLE CHANGES AS WIDER MARGINS, GREATER DEGREE OF POLICY COORDINATION, ETC. THEN SWISS DECISION MIGHT WELL BE POSITIVE. HOWEVER, ALONG LINES REF A, HE NOTED THAT LIMITED OFFICIAL USE

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MAY 9 GISCARD INITIATIVE APPARENTLY CAUGHT OTHER FRENCH OFFICIALS, INCLUDING GOVERNOR OF BANK OF FRANCE, BY SURPRISE AND THUS SWISS AS WELL AS OTHERS WERE QUITE UNCERTAIN ON WHAT MODALITIES WOULD BE INVOLVED IN FRENCH RE-ENTRY. LEUTWILER EXPRESSED DOUBT THAT MAY 20 EC FINANCE MINISTERS MEETING WOULD COME TO ANY CONCLUSIONS ON FRENCH RE-ENTRY. (WE HAVE HEARD FROM OTHER SOURCE THAT REASON SWISS REPS ABROAD KEEP REFERRING TO NON-CONTROVERSIAL

AND LARGELY IRRELEVANT JUNE 8 REFERENDUM IS TO PROVIDE EXCUSE FOR DELAY BEFORE ANY EC FINANCE MINISTERS DECISION IS TAKEN ON SF ASSOCIATION. THUS, SWISS DO NOT EXPECT THAT MAY 20 MEETING WILL SIGNIFICANTLY ADVANCE MATTER OF POSSIBLE SWISS ASSOCIATION.)

5. LEUTWILER NOTED THAT SF ALIGNMENT WITH SNAKE WOULD CLEARLY HAVE TO BE AT MARKET-RELATED REALISTIC ENTRY RATE. HE ALSO DISCOUNTED ANY LIKELIHOOD OF SWISS FOLLOWING AUSTRIAN MODEL NOTING MUCH GREATER VOLUME OF FOREIGN EXCHANGE BUSINESS IN ZURICH MARKET AND RELUCTANCE OF SNB TO INTERVENE EXCEPT AT SNAKE MARGINS.

6. COMMENT: OUR CONTACTS WITH COMMERCIAL BANKERS AND GOVERNMENT OFFICIALS INDICATE THAT DESPITE FRENCH DECISION THERE CONTINUES TO BE CONSIDERABLE SKEPTICISM AS TO WHETHER SF ENTRY INTO SNAKE IS IN SWITZERLAND'S INTEREST AND THUS WHETHER FEDERAL COUNCIL SHOULD TAKE POLITICAL DECISION TO SEEK ENTRY. WHILE LEUTWILER AND HIS PRINCIPAL ASSISTANT LADEMANN WERE CERTAINLY POSITIVE ABOUT ADVANTAGES OVER MEDIUM TERM, THEIR STRESS ON NO CHANGE OF CONDITIONS AS RESULT OF FRENCH FRANC RETURN AS PRECONDITION FOR SF ASSOCIATION INDICATES RECOGNITION THAT SUCCESS OF TECHNICAL-LEVEL CONVERSATIONS AMONG CENTRAL BANK OFFICIALS BY NO MEANS IMPLIES THAT EC FINANCE MINISTERS OR GOS WILL DECIDE THAT SWISS ENTRY SHOULD OCCUR. DOMINICK

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